



ZENTRUM FÜR SOZIALE INNOVATION
CENTRE FOR SOCIAL INNOVATION

Shaping Industrial Relations in a Digitalising Services Industry
Challenges and Opportunities for Social Partners
Summary of Workshop Reports

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Summary of interesting results of the workshop reports compiled as part of the UNI-Europa project 'Shaping Industrial Relations in a Digitalising Services Industry'

The Centre for Social Innovation produced fact sheets on the three workshops "Service Markets", "Labour Markets" and "Corporate Strategies and Work Organisation", which contain information sheets on key trends, summaries of the plenary presentations, minutes of the working groups and final discussions. The information in the information sheets is the result of literature research and interviews with trade unionists and experts.

1. "Service Markets" Workshop Report

European service sector

Service markets and labour markets in Europe have been expanding in the last decades. Across countries, in between 69% and 79% of GDP are created in services, and rates of employments are slightly higher.

Behind expanding service sectors, European countries and regions have distinct profiles of services : reports from Southern and Continental Europe emphasise the predominance of small and medium businesses in many service industries. In Central and Eastern Europe, much service expansion has been driven by foreign direct investment. CEE countries have emerged as destinations for outsourced ICT, business services and customer service functions and have been integrated into global value chains. Conversely, the Nordic countries have both Nordic and foreign multinationals in the services, and the UK aims for global leadership in the digital sector in general, and in financial service innovation in particular, although Nordic banks also play a strong part there.

Digitalisation, policy initiatives and trade unions' views

As services are already shaped by digitalisation, we find similar national, regional and sectoral disparities with regard to digital infrastructures and their uses.

The Nordic countries consistently take the lead in various developments, and in the UK, London emerges as a global hub for Fintech start-ups. However, the Spanish tourism, ICT and Finance sectors also rank highly with regard to digitalisation level, and cities such as Barcelona or Milan or Torino figure as "smart cities" with regard to both public and private sector digital innovation.

Southern and Eastern European countries at large are found at the lower end of the various digitalisation indexes. In CEE, the integration of ICT and business services into global and European value chains does not appear to spill over to the countries' general ICT infrastructure and use (with the exception of Estonia).

In all countries investigated there are government-led initiatives in favour of digitalisation that address innovation, digital infrastructures and also regulation. Only in the Nordic and some continental countries do we observe a wider range of corporatist and tripartite initiatives and discussions. In Southern, Central and Eastern Europe and also in the United Kingdom, however, these are usually managed by the state without the involvement of the social partners.

In the opinions of trade unionists and experts, there is a wide range of positions between optimism and scepticism towards unions' and societies' capabilities to shape digital technologies. They appear to result from the perception of functioning alliances around productivity and competitiveness, and the respective national and sectoral labour market situation.

Industry trends

Digitalisation generally is likely both to further concentration within service sectors and to render competition more intense. Companies extend their activities across sectors, face new, disruptive competitors, or aim to integrate value and business chains. In postal services and also logistics, advanced robotics and automation are central. Logistics take over functions from both manufacturing (contract logistics) and commerce. Postal services also offer warehousing, fulfilment services and entire shopping platforms to smaller retailers. In finance, concentration is ongoing and the reduction of branches and general cost-cutting strategies figure in many countries. Banks increasingly collaborate with Fintech start-ups and invest in them to integrate their innovation, but face competition by both the large platforms such as Google or Apple Pay and disruptive startups. E-commerce is shifting functions from retail to logistics and adding some new skills requirements with regard to online marketing and communication. Increasingly national and even local "brick and mortar" retailers offer webshops and "anywhere" shopping, and many explore hybrids of online and offline selling. Media have been struggling with some disruption through digital platforms and distribution channels for a while, especially among younger audiences.

Platforms

The disruptive potentials of platforms and their regulation are central issues in digitalisation debates. Actual crowdwork platforms for remote professional services and micro-tasks are used to a limited extent in Europe, currently generating between 0.4% (Belgium) and 1-1.4% (Spain) of GDP. Belgium represents a striking example of policy-led liberalisation in favour of "digital" sectors of the economy: Earnings up to EUR 5,000 from non-professional work on certified platforms is only taxed at 10%.

Customers and markets

Even in personal services, marketing, booking, information and reputation increasingly involve platform-based services. Arguably, digitalisation centrally is about both rationalising consumption and involving customers deeper into value creation through mass customisation of products and services on the one hand, offering them unpaid „community“ roles in marketing or support on the other.

2. "Labour Markets" Workshop Report

Automation of work?

The well-known study by Frey and Osborne considered some 47% of US jobs as susceptible to automation. Applications of their methodology to European countries yielded similar and even higher predictions. However, these prognoses tend to con-found jobs and tasks: Jobs generally consist of bundles of tasks that may be more or less susceptible to automation. Research into service work shows that routine service jobs contain non-routine tasks (such as documentation in care or team coordination in the flat hierarchies of cleaning), and routine tasks such as admin or secretarial work encroach on professional jobs. Task-based analysis leads to less extreme forecasts and therefore concludes that only 9% of activities in the US, and between 6% (Korea, followed by Estonia and Finland) and 12% (Germany and Austria) in other OECD countries, are automatable.

The erosion of labour markets: Medium-paid jobs and polarisation

Even before current digitalisation debates, labour market polarisation has been observed in both US and European labour markets. If technological change is skill-biased, technology substitutes for low-skilled work and enhances the productivity of higher-skilled work, leading to skill upgrading, that is, increases in higher-skilled employment. When both highly-skilled positions and low-skilled and low-paid jobs (especially in personal services) expand, it seems that now especially ICT substitutes for the routinised work done by middle-skilled employees.

Skills and training

In terms of future skill requirements, e-skills are seen as crucial by many experts, but in a wider context, workers will need the following skills, complemented by ICT and other technologies: problem solving, creativity, collaboration and interaction. A common metaphor is “T-shaped skills” that combine in-depth expertise in one field (the vertical axis) with wider education, cognitive and social skills.

According to the European Commission, almost half of permanent employees have access to training in the workplace, but only 32% of employees with fixed-term contracts and 19% of the self-employed have access to this. This suggests that precarious and atypical employment puts investment in human capital by companies and societies at risk.

Atypical employment

During and after the crisis, atypical employment has been increasing across Europe, and only since 2014 has permanent employment grown again but its levels have not come back to pre-crisis levels, and the shares of temporary employment have increased further. Self-employment and other new hyper-flexible forms of employment such as zero-hours contracts or work “on demand” are found in diverse sectors and countries, both digitally mediated and with conventional contracts.

3. "Corporate Strategies and Work Organisation" Report

Company strategies, work organisation and digitalisation

Company strategies of transnationalisation and restructuring of value chains are closely related to work organisation and job quality. They also shape the impact of digitalisation since digital technologies do not determine work organisation directly. There is wide agreement that digital technologies can be implemented in alternative ways:

- enabling “responsible autonomy” and “discretionary learning”, worker empowerment and collaboration
- or preference for strict regulation and control, de-skilling and fragmentation

Outsourcing and transnationalisation

Digitalisation is mostly considered an enabler of outsourcing and restructuring as it allows to deliver increasing parts of services remotely or to manage even space-dependent services in this way. In a “platform economy”, companies may be able to compose large parts of their value creation out of an array of cloud- and platform-based generic services.

In the ICT sector, a recent study commissioned by UNI finds that offshoring and outsourcing has become more “systemic”. Dominant companies retain strategic control over governance and integration and relocate even former “core” functions such as R&D, software architecture and sophisticated development.

Work organisation

Although digital technology does not determine work organisation, there are recognisably convergent patterns of digitised work organisation across sectors and skill levels. Ursula Huws describes this as “logged labor”: “logged” in the sense of “being chopped up into standardized units”; logged in the sense of being “connected online”, and logged in the sense of “being recorded for future analysis”. ... This is not just a substitution of one kind of communication for another. It is an outward symptom of a major restructuring of work: the manifestation of an underlying pattern whereby tasks are standardized, enabling them to be coordinated and monitored systematically.

Realising the empowering possibilities of digitalisation thus takes dedicated efforts. Nordic and Continental trade unions, building on long workplace design and innovation traditions, emphasise the possibilities of empowered “smart” working and flexibility in the interest of workers as well as companies.

Transnationalisation and value chain restructuring have impacts on work organisation: when services are outsourced, the client generally gets a considerable say over work organisation and also job quality. On the one hand, for most outsourced services clients favour more regimented work and tight control. On the other, powerful clients shift risk and flexibility requirements onto their service providers.

Industry and regional trends

The Central and East countries emerged as offshoring destinations for business services mostly after 2000, with governments providing financial incentives. From 2014 onwards, large players such as Amazon and Uber have also started investing there. Currently, Poland has some 198,000 jobs in offshored services (doubled in between 2013 and 2017), concentrating in Krakow, Warsaw and Wroclaw with other cities expanding as well. The Slovak Republic has some 30,000 jobs in and around Bratislava, Brno, and Kosice, the Czech Republic some 75,000. Hungary has some 40,000 jobs in business services in Budapest (and a longer history in software development).

In Poland, some 30% of offshored services originate in the US, followed by Germany with 19% and other Nordic and EU countries, but also subsidiaries of Indian outsourcing specialists Wipro or Infosys. Sectors cover IT, finance and accountancy, back office and customer support, and one third of business centres offer services in 10 or more languages. Employees are mostly college graduates, on average 31 years old and

54% are women – who, however, remain underrepresented in management positions. Notably, 10% of workers are foreigners, 40% from Ukraine, followed by Spanish and Italian workers. Earnings in customer service are at 760-950 EUR in junior positions. In IT, juniors make in between 959 and 1450 EUR.